



To: Regional School District Business Officials
From: Mary Jane Handy, Director of Accounts
Date: June, 2018

This letter sets forth the year-end reporting requirements under [G.L. c. 71, § 16B½](#) and [Department of Elementary and Secondary Education \(DESE\) Regional School District regulations, 603 Code of Massachusetts Regulations \(CMR\) 41.06](#), for certification of excess and deficiency (E & D) for the General Fund and certain other related matters.

If E & D was not certified by the Division of Local Services' (DLS) Bureau of Accounts (BOA) by June 30, 2018, the district cannot use E & D as a funding source in its FY2019 budget.

Balance Sheet – Form Submission Requirements

In an effort to streamline and simplify our processes, as well as to develop consistency in the submissions, we have developed a standardized balance sheet template for submission by regional school districts. This new template is an excel workbook that includes tabs for a combined balance sheet, fund balance detail for other funds including special revenue funds, capital project funds, trust and agency funds, as well as combining balance sheets for internal service funds. It also includes a template for the submission of the undesignated fund balance roll-forward. This regional school workbook can be found in a new "District Balance Sheet" module added to Gateway to accommodate online reporting. This module will appear as a tab across the top, similar to the "Tax Rate" and "Misc Forms" tabs and contain all of the forms necessary for submission with the balance sheet. Other forms included in the new modules are: balance sheet checklist, cash reconciliation report, statement of indebtedness, and the treasurer's year-end report. These forms were previously found in Gateway under the "Miscellaneous Forms" tab.

We have also added a new Gateway form – the Balance Sheet Submission form. Regional school districts are now required to complete and upload the Excel standardized balance sheet template to this form. The module will reflect the status of all of the other required forms previously mentioned. All of these required forms must be in "form submit" status before the user will be allowed to submit the balance sheet template.

All procedures necessary to properly close accounting records should be completed. Pre-closing trial balances will not be accepted. Only balance sheets that have been closed as of June 30, 2018 will be accepted for certification of E&D.

UMAS accounting does not require that local governmental entities convert their chart of accounts to conform to GASB 54 definitions. BOA will continue to allow fund balance definitions to appear as in the past.

Regional school districts **are required** to submit the following for E & D certification:

- The Excel standardized balance sheet template that contains the following worksheets
 - i. Combined balance sheet for all funds and account groups
 - ii. Detailed fund balances for all funds
 - iii. Detail for account groups
 - iv. Combining statements
 - v. Detailed analysis of undesignated fund balance/surplus revenue
- Balance Sheet Checklist
- Cash Reconciliation Report
- Statement of Indebtedness
- Treasurer's year-end report
- System generated trial balance printout for the general fund
- Detail transaction report of the undesignated fund balance account

If you have any problems with submission in Gateway, please contact your BOA field representative.

Please be reminded that a regional school district that does not submit the required forms and schedules as of June 30, 2018 to BOA by November 30, 2018 may have all future monthly local aid payments (regardless of fiscal year) withheld until the forms and schedules have been submitted and accepted. [G.L. c. 58, § 18F](#).

For regional school districts required to submit audited financial statements prior to certification of E & D, if the independent auditor's opinion is adverse or disclaimed, the certification of E & D is at the Director of Accounts' discretion.

Balance Sheet Presentation

- For revenue recognition purposes, state and federal reimbursements must be received by September 30 to offset a deficit fund balance as of June 30.
- At the discretion of the Commissioner of DESE, funding below the required net school spending level may result in a reduction of state aid.
- Invested funds must be reported at fair value as of June 30.
- Incurred But Not Reported (IBNR) claims of a self-insured health care trust fund must be accrued and reported on the balance sheet. A June 30, 2018 deficit in this fund is a reduction to E & D and must be funded in the FY2020 budget.
- Any balance as of June 30 in the State Special Education Reimbursement Fund (Circuit Breaker) can be no greater than DESE's FY2018 reimbursement, not including extraordinary assistance or funds obligated by the regional district school committee for FY2019 purposes. Any fund balance in excess of the allowable balance must close to the General Fund on June 30. Any FY2018 deficit in the fund must be charged to the

FY2019 regional school district budget and will have no effect on June 30, 2018 E & D. Proof of this charge must be provided to BOA or E & D will be reduced.

- The Regional Transportation Reimbursement Fund (RTR Fund) June 30 balance can be no greater than DESE's FY2018 reimbursement. Any fund balance in excess of the allowable balance must close to the General Fund on June 30.
- Massachusetts School Building Authority (MSBA) lump-sum payments may require reservation and amortization. Please see Informational Guideline Release ([IGR 08-102, Guidelines for the Application of School Building Assistance Grants](#)).
- Treasurers may use inter-fund borrowing before issuance of authorized debt to pay expenses for the projects or purposes for which the debt will be issued. Interfund advances must be repaid during the same fiscal year and there are some borrowing restrictions. See [IGR 17-21, Borrowing](#) for an explanation of interfund borrowing procedures and restrictions.

Debt authorized for jurisdictions required by special acts to obtain approval from the Commissioner of Revenue must first receive local approval and then the Commissioner's approval before interfund borrowing and expenditure of funds can occur.

- Reservations of interest income from investments, certain bond or Bond Anticipation Note (BAN) premiums, rebates and Medicare/Medicaid reimbursements are unauthorized under the general laws. Therefore, unless a reservation of those revenues is authorized by special legislation or required by accounting standards prescribed by the Director, the reservation must be closed to the district's General Fund. Additionally, all encumbrances to the General Fund not supported by a legal commitment made to a third party as of June 30 must be closed.
- Any bond or BAN premium that will not be returned to the member communities because of debt exclusion votes taken by the members must be closed to the district's General Fund on June 30. Otherwise, the premium must be reserved and returned to district members by no later than June 30. The return of premium may be either by a reduction to the capital assessment or by separate check.
- For calculating the maximum E & D under [G.L. c. 71, § 16B½](#) as of June 30, 2018, BOA will use five percent (5%) of the district's operating and capital budget for FY2019. Per [603 CMR 41.05 1\(e\)](#):

Expenditures from grant funds, revolving funds, trust funds and other funds that by law may be expended by the regional school committee without further appropriation, shall not be included in the budget. A summary of projected receipts and expenditures in such funds shall be provided to the members for informational purposes only along with the budget.

- E & D will be reduced by the amount of any school grant reported in deficit.
- Rebated funds (e.g. energy rebates) received from a utility or other vendor cannot be reserved on the balance sheet and must be closed to the General Fund at the end of the fiscal year.

- Please see [IGR 17-22, Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt](#), which explains the application of premiums received in connection with debt excluded bonds or notes sold before and after the November 7, 2016 effective date of the Municipal Modernization Act and how this adjustment is made.

Potential Increases to E & D

The following amounts may be requested by the jurisdiction's accounting official to be included in the certification:

- FY2018 state aid payments received by September 30; and
- Federal/state reimbursements received by September 30 for FY2018 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit.

Potential Decreases to E & D

The following reasons will contribute to an E & D reduction by the Director unless otherwise noted:

- The calculated amount cannot be substantiated by supporting documentation.
- A variance between the balance sheet and treasurer's cash;
- Illegal deficits or any deficit not funded in the district assessment;
- A fund balance deficit in an individual Capital Projects Fund where funds were not borrowed by June 30; and
- A self-insurance health claims trust fund balance deficit (Note: the deficit must be funded in the FY2020 regional school district budget).

Treasurer's Year-End Cash Report

The Treasurer's Year-End Cash Report as of June 30, 2018 must be completed and uploaded into Gateway by September 30, 2018 or upon submission of the balance sheet for FY2018 E & D certification, whichever is earlier.

We recommend that the records of the Treasurer's and Business Officer be reconciled monthly during the year to facilitate the completion of this report

Notification of E & D Certification

Certification letters will be e-mailed to the superintendent, school business manager, the selectboard in each member town or the city council in each member city immediately upon approval, to the email address in the Local Officials Directory (LOD) located in Gateway.

Officials are advised to periodically check the LOD for accuracy of their email addresses and notify their District Clerk of any changes.

Distribution of Local Aid

Regional school districts that do not submit a prior year's annual financial report to DESE by November 30, 2018 may have all future monthly local aid payments (regardless of fiscal year) withheld until the report has been submitted and accepted. [G.L. c. 58, § 18F](#); [DESE School Finance and Accountability Regulations, 603 CMR 10.03\(4\)\(g\)](#).

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